

A Message from the Executive Director

As I have assumed the responsibilities of Executive Director, the support I have received from Chairman Schaefer, Vice Chairman Kopp and the entire Board of Trustees has been gratifying and yet sobering. This is an immensely important Agency with a critical mission materially affecting the lives of hundreds of thousands of Marylanders whose careers were dedicated to public service. This is a charge I welcome; yet I realize the success of our mission is dependent on the support and professionalism of each and every member of the Agency staff.

We have certainly had our issues over the past several years, but as I visit various units in the Agency, I sense a new confidence and optimism. Moving to the top of the class in the pension management and investment field will be a challenge but an obtainable one if we all work together. There are no short cuts to performance excellence and we must welcome accountability for our own part of the overall mission. I look forward to a rewarding relationship with the Board of Trustees, the Agency staff, retirees, and members in meeting our mission goals.

Sincerely,



Thomas K. Lee
Executive Director



Dear Member:

You may be aware of the Federal indictments of a former money manager employed by the Retirement System and one of our former Board members. Obviously, this is of great concern to the Board and staff. While this matter is under active investigation, we are unable to comment on specific issues. However, we want to assure you that our most critical mission is to uphold our fiduciary responsibilities and maintain your full and complete confidence.

These are challenging times. Since assuming our roles as Chairman and Vice-Chairman, it has been our intent to promote open and clear communication with our membership. We are determined to move firmly to assure your full confidence that you will receive the benefits and service that you have earned and deserve. Your benefits are safe and secure. You will continue to receive your check.

To some, these indictments may be seen as a mark against the entire Board. This should not be so. The Board of Trustees is a diverse, dedicated, highly experienced and educated group of men and women, accountable to a common standard of excellence. Their dedication to you and their devotion to uncompensated public service is a reflection of their commitment to the System's mission.

As your Chairman and Vice-Chairman, we have the combined experience of over 80 years in elected office, many in the top levels of state government. We are accountable to you. We will require all personnel, in whatever capacity they serve the Agency, to reflect only the highest levels of honesty, integrity and competence which we have aspired to in our own roles as public servants.

We would ask that you consider carefully what we are doing to restructure the System and reserve judgment as the Board and Agency's new management team implements its new policies. A number of changes in investment management, personnel and procedures are already underway.

On the advice of Ennis Knupp & Associates, our nationally respected investment consultant, we have begun a strategic program of asset allocation, including regular rebalancing of asset

(continued on page 4)

Your Personal Statement of Benefits

Each active member of the State Retirement and Pension System (SRPS) this fall will receive by mail a Personal Statement of Benefits (PSB) summarizing his or her retirement account. The information contained in the PSB reflects your account status as of June 30, 2003. Your annual PSB is a valuable tool for retirement planning.

The death benefits shown on the PSB apply only to active members. If you should go off payroll prior to retiring and are not on a State Retirement Agency approved leave of absence, your designated beneficiary(ies) will only receive your accumulated contributions, if any, with interest at your death.

Answers to frequently asked questions about the PSB are provided below.

Why is my enrollment date later than my employment date?

Most employees' enrollment date is the first day of the month they started working. A later date may appear for employees who began work prior to the mid-seventies. Procedural differences at the time caused a one or two month delay between the member's first day on the job and the start of retirement paycheck deductions. To purchase this lapsed time, submit a Form 26, *Request to Purchase Previous Service*. This purchased time will be listed under Service Credit in the following year's PSB, but your enrollment date will remain the same.

A reminder to new members:

If you enrolled in your retirement or pension plan within the past 12 months, you may be eligible to transfer previous service earned in another Maryland State or Maryland local retirement or pension system.

To qualify for the transfer of service, your employment must be **continuous** and you must apply to transfer the qualified credit within one year of becoming a member of your new retirement or pension system. To receive the full benefit allowance value in your new system for your transferred service, you cannot retire within five years of your transfer. Call the State Retirement Agency at 410-625-5555 or toll free at 1-800-492-5909 for more information. *M*

Why isn't my military credit listed?

It's up to each eligible member to claim military service. Military service is not automatically credited to a member's account. File a Form 43, *Claim of Retirement Credit for Active Duty Military Service*, to apply for military credit. Members who serve in the U.S. armed forces or Maryland National Guard during their SRPS membership may claim military credit immediately under certain conditions. Members whose military duty preceded SRPS membership must have 10 years of retirement credit before claiming military service.

Why do I have a "deficiency" under contributions?

When sufficient retirement deductions are not made during any pay period, the word "deficiency" appears. The deficiency equals the amount of the missing contribution, plus interest applied at the end of each fiscal year.

To repay a contribution deficiency, members should contact the Retirement Agency and request to be billed for this amount. Payment made before the end of the fiscal year carries no interest for that year. If a contribution deficiency exists when a member retires, the benefit paid will be actuarially reduced.

How do I change beneficiaries?

To change beneficiaries, contact your personnel office and request *Beneficiary Designation* (Form 4.) It is vital to keep beneficiary choices



up to date, because when a member dies during active membership, survivor benefits are paid to his or her designated beneficiary(ies).

Why isn't early retirement listed?

The space under Early Service is left blank for members who reach regular service retirement age before earning the required years of service for early retirement, if applicable.

What about part-time employment?

Service credit may be overstated on the PSB for persons who worked part time during their membership. This is especially likely for members who transferred from the Retirement System to the Pension System. The PSB assumes all future service as full time, so if you are working part time now, your benefits may be overstated.

What's a PIN?

A member's PIN (Personal Identification Number) is a four digit code consisting of the month and year of his or her enrollment. Members can use their PIN and Social Security number to access retirement account information via the SRPS automated phone system.

What if I have other questions concerning my PSB?

If something on your PSB doesn't seem correct, note the discrepancy and send a photocopy of your statement to the address below. Also, indicate how you arrived at your conclusion. Address your correspondence to: State Retirement and Pension System, 120 East Baltimore Street, Baltimore, Maryland 21202-6700. *M*

Alemi, Lancaster reelected to Board of Trustees

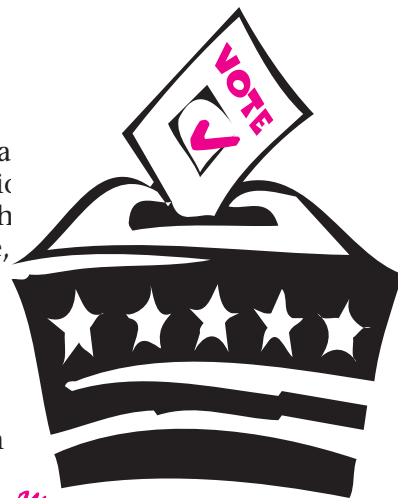
Dr. Ali A. Alemi and Carl D. Lancaster, incumbent candidates for the Board of Trustees of the State Retirement and Pension System of Maryland, were reelected to new four-year terms on the Board.

Dr. Alemi, the incumbent Employees' System representative to the Board, was elected from a field of eight candidates with 24% of votes cast. A letter to members from Dr. Alemi is included in this newsletter.

In the contest for Teachers' System representative to the Board, only the incumbent candidate,

Carl D. Lancaster, obtained the required nomination to enter the race. As the sole eligible candidate, Mr. Lancaster was automatically reelected. No ballots were distributed for this Board seat.

Both trustees began their new four-year terms August 1, 2003. *M*



Dear State Employees and Retirees:

Today (July 22, 2003) the Executive Director of the Retirement Agency certified and the Chairman of the Board announced the election result and I prevailed. I am happy yet humble that once again you honored me with your trust to serve you as a Trustee on the Board for another four years. I would like to seize this moment and thank everyone who has taken the time out of your busy schedules and responded to the election, especially those of you that vested confidence in me.

While it is disappointing that only 19.2% of ballots were returned, I am, nevertheless, delighted that I had received over 24% of the total vote cast. To those of you who bestowed this honor upon me, I simply say thanks and I pledge that I will not let you down. To those who did not vote for me, I vow that I will do my utmost to earn your trust during the next four years.

This election was not about my seven challengers, or me; rather it was about the relationship that you have had with the organization that handles, in large part,

your livelihood for the golden years. It is your recognition of this difficult time. It is the affirmation of your confidence of the whole Board. It is on that belief, which I am looking forward to for your guidance and your critiques as well as your praises. The Board of Trustees is a group of distinguished, devoted, and uncompensated public servants under the superb leadership of the Chairman William Donald Schaefer, who has demonstrated his commitment in sixty years of elected public service.

As I stated in the course of my testimony at the Budget and Taxation Committee during the hearing of SB 721, **only in America** could a person such as myself attain the honor of being elected twice to this high office, the Board of Trustees. For this reason, I feel that I ought to pay my dues to the society that I accepted as mine, with full devotion to my duties as your representative on the Board.

I pray to Almighty God to give me strength and wisdom to endeavor more than ever to continue to gain the trust and confi-

dence of my constituents. I am looking forward to the challenging time ahead.

Please allow me to share a bit of good news with you. As you know, the tide has turned and not only is there a new Executive Director, Tom Lee, and several board members on the team, but the system is sounder than last year. We recovered a significant amount of our losses from Chapman/Bond and the system's fund has improved with an increase of 3.22% for the fiscal year just ended (June 30). I am sure with the leadership, second to none, and awareness of the Board and, God willing, a bit of good luck and upswing in the economy we once again will be well ahead of the funding schedule set by the legislatures.

Let us all work together to attain this for the security of the future of all current and future retirees. To that end, I thank you and may God bless.

Respectively yours,

A handwritten signature in black ink, appearing to read 'Ali A. Alemi'.

Ali. A. Alemi, Ph.D.



Ali. A. Alemi, Ph.D.

Dear Member *(continued from page 1)*

classes; based on prudent investment principles. We are instituting new internal standards and processes to ensure more effective oversight of managers. Investment managers who have failed to perform up to the standard set for them have been terminated in favor of those who offer better performance.


Cortex, an international management consultant firm, has been in the process of conducting a fiduciary audit of the System administration and Board procedures. The Cortex recommendations concerning the Board's governance procedures and standards will be presented to the Board in the near future.

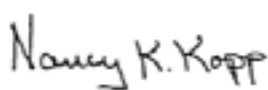
Internally, the Agency has a new Executive Director whose aggressive and knowledgeable management style as former Maryland Deputy Budget Secretary has earned him the highest level of respect. Interviews are now being conducted for a new Chief Investment Officer.

The Agency has also determined to participate more aggressively in securities class action lawsuits (Royal Ahold) and to pursue other legal remedies when investment losses have been incurred through deceit or fraud. Our action in pursuing claims against Alan Bond for his 'cherry picking' scheme resulted in a \$2.9 million restitution to the System's trust fund.

As your Chairs, we want to assure you, members, that your peace of mind is of paramount importance to the Trustees. This Agency, because of its mission, its interaction with the investment community and the substantial financial resources involved, has the potential and, indeed, the obligation to become a leader among pension systems and to be one of the most prestigious agencies in state government. It is our intent to achieve this level of professionalism. Nothing less will be tolerated.

Sincerely,


William Donald Schaefer



Nancy K. Kopp

Retirement counseling to be offered at locations across Maryland

From the Garrett County mountains to the beaches of Wicomico County, retirement benefits counselors will be crisscrossing the state in coming months to answer your questions about retirement. Personal retirement counseling sessions will be offered on certain dates from September 2003 through June 2004 at locations throughout Maryland.

Contact your personnel office to obtain a list of upcoming counseling locations and dates. A printable version of the counseling schedule is also available

on the State Retirement Agency's Web site at www.sra.state.md.us. Simply click on "Hot News" and select "Regional Counseling Schedule, 2003-2004."

To request an appointment with a retirement benefits counselor visiting your area, call 410-625-5555 or toll free 1-800-492-5909. Retirement benefits counselors cannot calculate benefit estimates, so you may wish to bring your most recent Personal Statement of Benefits or retirement estimate with you to the session. 

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